

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORTS
FOR THE YEARS ENDED
JUNE 30, 2011 AND 2010**

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

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**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**OFFICIALS
JUNE 30, 2011**

Name	Position	Term Expires	Insurance Coverage
Richard Kohler	Chairman	12/31/14	10,000
Phil Cannon	Trustee	12/31/16	10,000
Lynne Don Carlos	Trustee	12/31/12	10,000
Duane Armstead	General Manager		10,000
Rebecca Haase	City Clerk/Treasurer		40,000

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John Keblesh, C.P.A.
Gregory A. Harr, C.P.A.

Dwain E. Wulf, C.P.A.
Daniel R. Holt, C.P.A.
Daniel A. Dudley, C.P.A.
Geoffrey F. Schnathorst, C.P.A.
Catherine T. Kellogg, C.P.A.

INDEPENDENT AUDITORS' REPORT

Greenfield Municipal Utilities
Water System
Greenfield, Iowa

We have audited the accompanying statements of net assets of the Water System, a department of Greenfield Municipal Utilities, a component unit of the City of Greenfield, Iowa, as of June 30, 2011 and 2010, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described in Note 1, the financial statements of the Water System, a department of Greenfield Municipal Utilities, are intended to present the respective financial position and results of operations and cash flows of proprietary fund types of only that portion of the financial reporting entity of the City of Greenfield, Iowa, that is attributable to the transactions of the Water System.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water System, a department of Greenfield Municipal Utilities, as of June 30, 2011 and 2010, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2011, on our consideration of the Water System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for Schedule 2 which is marked "unaudited" and on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on Schedule 1 is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Greenfield Municipal Utilities has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

November 2, 2011

By _____
Certified Public Accountant

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND 2010**

ASSETS	2011	2010	Increase (Decrease)
CURRENT ASSETS:			
Cash and Equivalents	\$ 49,787	\$ 50	\$ 49,737
Investment in Certificates of Deposit	-	23,000	(23,000)
Accounts Receivable - Customers	57,777	52,382	5,395
Inventories - Materials and Supplies	39,609	42,099	(2,490)
Accrued Interest Receivable	-	20	(20)
Prepaid Expenses	18,465	18,212	253
Total Current Assets	165,638	135,763	29,875
PROPERTY AND EQUIPMENT:			
Production and Treatment Plant	1,550,963	1,533,510	17,453
Transmission System	919,115	441,210	477,905
Distribution System	2,865,175	2,865,175	-
Vehicles, Tools and Equipment	189,375	189,389	(14)
Total Cost	5,524,628	5,029,284	495,344
Accumulated Depreciation	(3,024,721)	(2,913,899)	(110,822)
Cost Less Depreciation	2,499,907	2,115,385	384,522
Construction In Progress	-	367,077	(367,077)
Total Property and Equipment, Net	2,499,907	2,482,462	17,445
	<u>\$ 2,665,545</u>	<u>\$ 2,618,225</u>	<u>\$ 47,320</u>

(Continued)

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND 2010**

LIABILITIES	2011	2010	Increase (Decrease)
CURRENT LIABILITIES:			
Deficit in Cash and Equivalents	\$ -	\$ 32,442	\$ (32,442)
Accounts Payable - Vendors	17,314	19,406	(2,092)
Due to City	-	13,400	(13,400)
Sales and Use Tax Payable	2,512	2,161	351
Accrued Liabilities -			
Salaries and Wages	12,077	10,747	1,330
Compensated Absences	46,484	42,450	4,034
Interest	870	870	-
Current Portion of Long-Term Liabilities	57,487	56,870	617
Total Current Liabilities	136,744	178,346	(41,602)
NONCURRENT LIABILITIES:			
Payable to the City of Greenfield	280,736	318,223	(37,487)
Promissory Note Payable	40,000	60,000	(20,000)
Total Noncurrent Liabilities	320,736	378,223	(57,487)
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	2,124,196	2,047,369	76,827
Unrestricted	83,869	14,287	69,582
Total Net Assets	2,208,065	2,061,656	146,409
	<u>\$ 2,665,545</u>	<u>\$ 2,618,225</u>	<u>\$ 47,320</u>

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011		2010		Increase (Decrease)
	Amount	Percent	Amount	Percent	
OPERATING REVENUE:					
Residential Sales	\$ 273,748	50.5	\$ 262,920	50.1	\$ 10,828
Commercial Sales	89,816	16.5	74,788	14.2	15,028
Industrial Sales	20,369	3.8	30,636	5.8	(10,267)
Sales to SIRWA	101,713	18.7	103,598	19.7	(1,885)
Sales to Fontenelle	38,885	7.2	34,291	6.5	4,594
Sales to City	6,854	1.3	7,835	1.5	(981)
Plant Hydrant Water Sales	305	0.1	346	0.1	(41)
Bad Debt Collections	127	-	-	-	127
Connections and Reconnections	3,475	0.6	3,040	0.6	435
Other Operating Revenue	<u>7,705</u>	1.4	<u>7,940</u>	1.5	<u>(235)</u>
Total Operating Revenue	542,997	100.0	525,394	100.0	17,603
OPERATING EXPENSES:					
Plant Operations	180,705	33.4	176,359	33.7	4,346
Plant Maintenance	52,148	9.6	33,096	6.3	19,052
Distribution Operations	126,666	23.3	121,095	23.0	5,571
Distribution Maintenance	77,865	14.3	59,573	11.3	18,292
Accounting and Collecting	74,017	13.6	70,953	13.5	3,064
Administrative Expenses	95,158	17.5	101,493	19.3	(6,335)
Refunds and Rebates	-	-	750	0.1	(750)
Bad Debts	1,829	0.3	-	-	1,829
Depreciation	<u>123,029</u>	22.7	<u>126,656</u>	24.1	<u>(3,627)</u>
Total Operating Expenses	<u>731,417</u>	134.7	<u>689,975</u>	131.3	<u>41,442</u>
Operating Earnings (Loss)	(188,420)	(34.7)	(164,581)	(31.3)	(23,839)
NONOPERATING REVENUE (EXPENSE):					
Contributions-in-Aid of Construction	116,379	21.4	367,077	69.9	(250,698)
Interest Income	122	-	515	0.1	(393)
Disposal of Scrapped Assets	-	-	(11,812)	(2.2)	11,812
Interest Expense	(10,441)	(1.9)	(11,469)	(2.2)	1,028
Miscellaneous Income	<u>4,646</u>	0.9	<u>4,811</u>	0.9	<u>(165)</u>
Total Nonoperating Revenue	<u>110,706</u>	20.4	<u>349,122</u>	66.5	<u>(238,416)</u>
Income (Loss) Before Transfers	(77,714)	(14.3)	184,541	35.2	(262,255)
TRANSFERS IN (OUT):					
Payment to City	(10,300)		(3,000)		(7,300)
From Electric System	<u>234,423</u>		<u>100,000</u>		<u>134,423</u>
Change in Net Assets	146,409		281,541		(135,132)
Total Net Assets, Beginning	2,061,656		1,780,115		281,541
Total Net Assets, Ending	<u>\$ 2,208,065</u>		<u>\$ 2,061,656</u>		<u>\$ 146,409</u>

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	\$ 530,465	\$ 514,488
Payments to Suppliers	(322,432)	(232,162)
Payments to Employees, Wages and Benefits	(312,536)	(301,066)
Other Receipts	11,781	12,187
Net Cash from Operating Activities	<u>(92,722)</u>	<u>(6,553)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from Electric	234,423	100,000
Payment to City	<u>(10,300)</u>	<u>(3,000)</u>
Net Cash from Noncapital Financing Activities	224,123	97,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Contribution-in-Aid of Construction	116,379	367,077
Purchase or Construction of Capital Assets	(140,474)	(391,089)
Principal Payments on Promissory Note	(36,870)	(34,316)
Principal Payments on Loan Payable to the City of Greenfield	(20,000)	-
Payment on Due to City	(13,400)	-
Interest Paid	<u>(10,441)</u>	<u>(32,640)</u>
Net Cash from Capital and Related Financing Activities	(104,806)	(90,968)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the Sale of Investment	23,000	-
Interest Received	<u>142</u>	<u>521</u>
Net Cash from Investing Activities	23,142	521
Net Change in Cash and Equivalents	49,737	-
Cash and Equivalents, Beginning of Year	50	50
Cash and Equivalents, End of Year	<u>\$ 49,787</u>	<u>\$ 50</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES:		
Operating Earnings (Loss)	\$ (188,420)	\$ (164,581)
Adjustments to Reconcile Operating Earnings (Loss) to Net Cash from Operating Activities -		
Depreciation Non-cash Expense	123,029	126,656
Miscellaneous Income Received	4,646	4,811
Change in Operating Assets and Liabilities -		
Accounts Receivable (Increase) Decrease	(5,395)	(3,533)
Inventories (Increase) Decrease	2,490	(3,605)
Prepaid Expenses (Increase) Decrease	(253)	(57)
Deficit in Cash and Equivalents Increase (Decrease)	(32,442)	18,317
Accounts Payable Increase (Decrease)	(2,092)	3,692
Sales Tax Payable Increase (Decrease)	351	46
Other Accrued Liabilities Increase (Decrease)	<u>5,364</u>	<u>11,701</u>
Total Adjustments	95,698	158,028
Net Cash from Operating Activities	<u>\$ (92,722)</u>	<u>\$ (6,553)</u>

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General -

Greenfield Municipal Utilities (GMU) is governed by a three-member Board of Trustees that is appointed by the Mayor of Greenfield and approved by the City Council. GMU operates and manages an electric system and water system.

GMU provides electric and water service to a diverse base of residential, commercial and industrial customers, primarily within the boundaries of the City. The Trustees exercise all oversight responsibility including the establishment of service rates, equitable allocation of joint expenses and of books of account for each utility system.

GMU prepares its financial statements in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accompanying financial statements include only the activities of the Water System. The financial activities of the Electric system are presented and reported in separate financial statements. The significant accounting principals and policies utilized are described below.

B. Reporting Entity -

GMU is required to consider if it has oversight responsibility or control over any other legal entity. Criteria specified by GASB for determining the scope of such oversight include: (1) financial inter-dependency, (2) selection of the governing authority, (3) designation of management, (4) ability to significantly influence operations, and (5) accountability for fiscal matters. In accordance with these criteria, GMU has been identified as being a component unit of, but legally separate from, the City of Greenfield (the City), and not having component units itself.

C. Basis of Presentation -

The accounts of the Water System are organized on the basis of enterprise funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues and expenses.

The Statement of Net Assets displays the assets and liabilities with the difference reported as net assets. Net assets are reported in three components as follows:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, notes or other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consists of all other net assets, including designated, that do not meet the definition of "restricted" or "invested in capital assets, net of related debt". Any designated net assets included may be re-designated at any time by board action.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ***Measurement Focus and Basis of Accounting -***

Measurement focus refers to what types of resources are reported; basis of accounting refers to when revenues, expenditures and expenses - and the related assets or liability - are recognized in the accounts and reported in the financial statements. Basis of accounting refers to the timing of the measurement made, regardless of the measurement focus applied.

The Water System operates as a governmental proprietary enterprise fund and uses the flow of economic resources measurement focus and the accrual basis of accounting to determine net income, cash flows, and financial position, similar to businesses in the private sector. Accordingly, revenues are recognized when earned, except that unbilled revenues for customer usage since the last meter reading to the end of the fiscal year (approximately five days) are not accrued. Expenses are recognized when the obligation is incurred.

GASB pronouncements and non-conflicting pronouncements of the Financial Accounting Standards Board (FASB) issued before November 30, 1989 are applied in preparation of the accompanying financial statements. Management has elected to continue to apply non-conflicting FASB pronouncements issued after November 30, 1989.

Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with Greenfield Municipal Utilities' ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. ***Use of Estimates -***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. ***Cash, Equivalents and Investments -***

Cash on hand and on deposit in checking or savings accounts and short-term certificates of deposits having a maturity date of no longer than three months are all considered cash and equivalents for financial reporting. All cash, checking and savings are held as pooled cash. Investments consist of non-negotiable certificates of deposit in the name of the fund and are stated at cost.

G. ***Receivables and Credit Policies -***

Accounts receivable are uncollateralized customer obligations due under normal terms. Unpaid accounts receivable are considered delinquent and are assessed a penalty.

Accounts receivable are stated at the amount billed to the customer plus any unpaid penalties and are recorded in the period service is billed. Management reviews all accounts receivable balances that are delinquent and charges those amounts to expense that are deemed to be uncollectible.

H. ***Inventories - Materials and Supplies -***

Inventories of materials and supplies are held for consumption and are stated at the lower of cost or market using the first-in, first-out method.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. **Capital Assets -**

Capital assets (property, plant and equipment, including infrastructures) are valued at historical cost. The cost of system renewals and betterments includes engineering, project construction period interest and other related costs. Preliminary and construction costs, if any, of projects not yet in service are shown in the financial statements as construction in progress. Maintenance and repairs which do not add to the capacity or efficiency of the asset are charged to operating expense.

Depreciation is provided over the assets' estimated useful lives using the straight line method with one-half year convention. No depreciation is taken on construction in progress. The range of estimated useful lives by capital asset sub-category is as follows:

Treatment Plant and Structures	15-50 Years
Transmission System Improvements	33-50 Years
Distribution System Improvements	20-40 Years
Vehicles	5 Years
Tools and Shop Equipment	5-10 Years
Furniture and Office Equipment	5-10 Years

J. **Taxes -**

GMU is not liable for federal and state income taxes or taxes on its property, and makes no significant payments in-lieu-of taxes or other contributions to the City from the Water System.

NOTE 2 - CASH AND POOLED INVESTMENTS

All deposits at June 30, 2011, were entirely covered by federal depository insurance, or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

GMU is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit or savings accounts at federally insured depository institutions approved by the Board of Trustees and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of drainage districts.

NOTE 3 - PROPERTY AND EQUIPMENT

Capital asset activity for the years ended June 30, 2011 and 2010 is as follows:

2011	Balance July 1,	Additions	Retirements	Balance June 30,
Capital Assets being Depreciated -				
Production and Treatment Plant	\$ 1,533,510	\$ 17,453	\$ -	\$ 1,550,963
Transmission System	441,210	477,905	-	919,115
Distribution System	2,865,175	-	-	2,865,175
Vehicles, Tools and Equipment	189,389	12,193	12,207	189,375
Total Cost	<u>\$ 5,029,284</u>	<u>\$ 507,551</u>	<u>\$ 12,207</u>	<u>\$ 5,524,628</u>

NOTE 3 - PROPERTY AND EQUIPMENT (Continued)

2011	Balance July 1,	Additions	Retirements	Balance June 30,
Accumulated Depreciation for -				
Production and Treatment Plant	\$ 1,088,002	\$ 32,370	\$ -	\$ 1,120,372
Transmission System	243,543	13,062	-	256,605
Distribution System	1,425,729	63,378	-	1,489,107
Vehicles, Tools and Equipment	156,625	14,219	12,207	158,637
Total Accumulated Depreciation	<u>\$ 2,913,899</u>	<u>\$ 123,029</u>	<u>\$ 12,207</u>	<u>\$ 3,024,721</u>

2010	Balance July 1,	Additions	Retirements	Balance June 30,
Capital Assets being Depreciated -				
Production and Treatment Plant	\$ 1,594,502	\$ 17,870	\$ 78,862	\$ 1,533,510
Transmission System	441,210	-	-	441,210
Distribution System	2,865,175	-	-	2,865,175
Vehicles, Tools and Equipment	204,355	6,142	21,108	189,389
Total Cost	<u>\$ 5,105,242</u>	<u>\$ 24,012</u>	<u>\$ 99,970</u>	<u>\$ 5,029,284</u>

Accumulated Depreciation for -				
Production and Treatment Plant	\$ 1,117,298	\$ 37,754	\$ 67,050	\$ 1,088,002
Transmission System	235,261	8,282	-	243,543
Distribution System	1,361,929	63,800	-	1,425,729
Vehicles, Tools and Equipment	160,914	16,820	21,109	156,625
Total Accumulated Depreciation	<u>\$ 2,875,402</u>	<u>\$ 126,656</u>	<u>\$ 88,159</u>	<u>\$ 2,913,899</u>

Depreciation expense by asset group charged to operations is as follows:

	2011	2010
Production Plant	\$ 32,370	\$ 37,754
Transmission System	13,062	8,282
Distribution System	63,378	63,800
Vehicles, Tools and Equipment	14,219	16,820
Totals	<u>\$ 123,029</u>	<u>\$ 126,656</u>

NOTE 4 - COMPENSATED ABSENCES

GMU employees accumulate a limited amount of vested, but unused, vacation and sick leave hours for subsequent use or payment upon termination, retirement or death. Accrued compensated absences included in the financial statements for 2011 and 2010 represent the amount due for the hours accumulated at the employees' June 30 rate of compensation.

NOTE 5 - LONG-TERM LIABILITIES

On June 10, 2004, the City of Greenfield issued a general obligation promissory note for \$200,000. The proceeds of this note were deposited to the Water System to provide funding for construction of a water tower. Accordingly, the Water System will repay this debt. The note is noninterest bearing, with monthly payments of \$1,666 beginning July 14, 2004.

During 2007, the Water System agreed to repay \$369,409 to the City for costs of water distribution system improvements. These costs were included in the City's debt for the Public Square Improvement project. The loan bears interest at a rate of 2.94%. Loan principal and interest is payable annually beginning June 1, 2010 and continues through June 1, 2019.

Changes in long-term debt for the years ended June 30, 2011 and 2010 are as follows:

2011	Balances July 1	Additions	Reductions	Balances June 30	Due Within One Year
2004 General Obligation	\$ 80,000	\$ -	\$ 20,000	\$ 60,000	\$ 20,000
2007 Loan from City	355,093	-	36,870	318,223	37,487
	<u>\$ 435,093</u>	<u>\$ -</u>	<u>\$ 56,870</u>	<u>\$ 378,223</u>	<u>\$ 57,487</u>
2010	Balances July 1	Additions	Reductions	Balances June 30	Due Within One Year
2004 General Obligation	\$ 100,000	\$ -	\$ 20,000	\$ 80,000	\$ 20,000
2007 Loan from City	369,409	-	14,316	355,093	36,870
	<u>\$ 469,409</u>	<u>\$ -</u>	<u>\$ 34,316</u>	<u>\$ 435,093</u>	<u>\$ 56,870</u>

Future debt service requirements are as follows:

Year Ending June 30,	2004 General Obligation Principal (No Interest)	2007 Loan from City		Total Required		
		Principal	Interest	Principal	Interest	Total
2012	\$ 20,000	\$ 37,487	\$ 9,357	\$ 57,487	\$ 9,357	\$ 66,844
2013	20,000	38,800	8,255	58,800	8,255	67,055
2014	20,000	40,081	7,114	60,081	7,114	67,195
2015	-	41,327	5,936	41,327	5,936	47,263
2016	-	43,255	4,720	43,255	4,720	47,975
2017	-	44,376	3,448	44,376	3,448	47,824
2018	-	46,191	2,144	46,191	2,144	48,335
2019	-	26,706	785	26,706	785	27,491
Totals	<u>\$ 60,000</u>	<u>\$ 318,223</u>	<u>\$ 41,759</u>	<u>\$ 378,223</u>	<u>\$ 41,759</u>	<u>\$ 419,982</u>

NOTE 6 - PENSION AND RETIREMENT BENEFITS

GMU contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the employer is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The Water System's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009, was \$15,030, \$12,460, and \$11,239, respectively, which met the required contributions for each year.

NOTE 7 - DEFERRED COMPENSATION PLAN

GMU offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits deferral to future years a portion of their current salary. The employee becomes eligible to withdraw funds upon termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in a separate third-party trust for the exclusive benefit of participants and their beneficiaries.

NOTE 8 - CONCENTRATIONS

The Water System provides water to customers in a specified service area in and around the City of Greenfield, Iowa. It grants credit to substantially all customers, all of whom are local businesses or residents.

Sales to other nonprofit or municipal organizations for redistribution accounted for approximately 17 and 25% of the total operating revenue for the years ended June 30, 2011 and 2010, respectively.

NOTE 9 - RISK MANAGEMENT

The Greenfield Municipal Utilities are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks, except for loss of infrastructure, are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reflected in the balance sheets for cash and cash equivalents approximate the respective fair values due to the short maturities of those instruments. Management estimates that there are no significant differences between the fair value of financial instruments and the amounts shown as assets and liabilities on the balance sheets.

NOTE 11 - COMMITMENTS

The Water System has a contract to provide water to the Southern Iowa Rural Water Association (SIRWA) over a forty-year period beginning June 1, 1982. The agreement stipulates that the water quantity sold is not to exceed 174 gallons per minute and 52,257,879 gallons per year. Metered water for 2011 and 2010 was 30,960,200 and 57,330,300 gallons, respectively.

The Water System has a contract to provide water to the City of Fontanelle over a ten year period which began November 1, 2003. The agreement stipulates that the water quantity sold is not to exceed 120 gallons per minute and 20,000,000 gallons per year. Metered water for 2011 and 2010 was 16,290,000 and 14,845,800 gallons, respectively.

The Water System has a contract in progress for the construction of a dam. The remaining amount on that contract is \$26,329. SIRWA is making contributions-in-aid of construction to cover the total costs associated with the construction of the dam.

NOTE 12 - BUDGETS AND BUDGETARY ACCOUNTING

In accordance with the Code of Iowa, the City Council annually adopts a budget, which includes this Water System, following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. There were no budget amendments adopted during the current year.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions or programs, not by fund. These functions are grouped as either governmental activities or business activities. The Water System budget is included as a part of the City and GMU combined business type activities budget.

A comparison of the actual water system activity, adjusted to the budgetary basis (cash receipts and disbursements), and the total budgeted amounts is as follows:

	Actual	Budget
Operating and Nonoperating Revenue -		
GAAP Basis	\$ 664,144	
Adjust For-		
Customer Charge Accruals	(5,395)	
Nonoperating Revenue Accruals	20	
Operating and Nonoperating Revenue -		
Budget Basis	<u>\$ 658,769</u>	<u>\$ 554,620</u>
Operating and Nonoperating Expenses -		
GAAP Basis	\$ 741,858	
Adjust for -		
Operating Expense Accruals	(3,623)	
Nonoperating Expense Accruals	13,400	
Capital Outlay	140,474	
Depreciation	(123,029)	
Debt Payment	56,870	
Operating and Nonoperating Expenses -		
Budget Basis	<u>\$ 825,950</u>	<u>\$ 715,550</u>
Budget Overspend		<u>\$ 110,400</u>

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 2, 2011, the date the financial statements were available to be issued, and believes that no events have occurred that require adjustment of, or disclosure in, the financial statements.

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

SUPPLEMENTARY INFORMATION

SCHEDULE 1

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**SCHEDULES OF EXPENSES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011		2010		Increase (Decrease)
	Amount	Percent	Amount	Percent	
Plant Operations -					
Salaries and Wages	\$ 54,627	10.2	\$ 53,940	10.4	\$ 687
Employer Payroll Taxes	6,023	1.1	6,772	1.3	(749)
Professional Fees	5,427	1.0	132	-	5,295
Insurance	12,206	2.2	14,139	2.7	(1,933)
Utilities and Communications	37,714	6.9	40,590	7.7	(2,876)
Chemicals	55,127	10.2	51,479	9.8	3,648
Water Testing	9,581	1.8	9,307	1.8	274
 Total Plant Operations	<u>\$ 180,705</u>	33.4	<u>\$ 176,359</u>	33.7	<u>\$ 4,346</u>
 Plant Maintenance -					
Pump Repairs	\$ 1,560	0.3	\$ 1,105	0.2	\$ 455
Supplies - Operating and Maintenance	34,546	6.4	24,049	4.6	10,497
Repairs Maintenance Services	16,042	3.0	7,942	1.5	8,100
 Total Plant Maintenance	<u>\$ 52,148</u>	9.6	<u>\$ 33,096</u>	6.3	<u>\$ 19,052</u>
 Distribution Operations -					
Salaries and Wages	\$ 79,710	14.7	\$ 82,997	15.8	\$ (3,287)
Employer Payroll Taxes	13,587	2.5	13,100	2.5	487
Group Insurance	33,343	6.1	24,308	4.6	9,035
Professional Fees	26	0.1	690	0.2	(664)
 Total Distribution Operations	<u>\$ 126,666</u>	23.3	<u>\$ 121,095</u>	23.0	<u>\$ 5,571</u>
 Distribution Maintenance -					
Vehicle Operating Expenses	\$ 9,015	1.7	\$ 8,444	1.6	\$ 571
Supplies - Operating and Maintenance	64,836	11.9	41,636	7.9	23,200
Repairs Maintenance Services	4,014	0.6	9,493	1.7	(5,479)
 Total Distribution Maintenance	<u>\$ 77,865</u>	14.3	<u>\$ 59,573</u>	11.3	<u>\$ 18,292</u>
 Accounting and Collecting -					
Salaries and Wages	\$ 40,893	7.5	\$ 39,534	7.5	\$ 1,359
Employer Payroll Taxes	5,641	1.0	5,274	1.0	367
Group Insurance	16,900	3.1	15,506	3.0	1,394
Advertising and Notices	1,111	0.2	2,185	0.4	(1,074)
Supplies - Operating and Maintenance	6,586	1.2	6,161	1.2	425
Copier and Computer Maintenance	2,886	0.4	2,293	0.3	593
 Total Accounting and Collecting	<u>\$ 74,017</u>	13.6	<u>\$ 70,953</u>	13.5	<u>\$ 3,064</u>

(Continued)

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**SCHEDULES OF EXPENSES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011		2010		Increase (Decrease)
	Amount	Percent	Amount	Percent	
Administrative Expenses -					
Salaries and Wages	\$ 46,391	8.5	\$ 48,558	9.2	\$ (2,167)
Employer Payroll Taxes	11,170	2.1	10,785	2.1	385
Group Insurance	8,425	1.6	9,240	1.8	(815)
Professional Fees	10,648	2.0	13,057	2.5	(2,409)
Insurance	12,183	2.2	10,086	1.9	2,097
Travel, Conferences and Dues	1,189	0.2	2,751	0.5	(1,562)
Utilities and Communications	2,085	0.4	1,931	0.4	154
Supplies - Operating and Maintenance	366	0.1	242	-	124
Economic Development	2,610	0.5	4,835	0.9	(2,225)
Use Tax Paid	91	-	8	-	83
 Total Administrative Expenses	<u>\$ 95,158</u>	17.5	<u>\$ 101,493</u>	19.3	<u>\$ (6,335)</u>
 Rebates and Refunds	<u>\$ -</u>	-	<u>\$ 750</u>	0.1	<u>\$ (750)</u>
 Bad Debts	<u>\$ 1,829</u>	0.3	<u>\$ -</u>	-	<u>\$ 1,829</u>
 Depreciation Expense	<u>\$ 123,029</u>	22.7	<u>\$ 126,656</u>	24.1	<u>\$ (3,627)</u>

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**STATISTICAL REPORTS AND OTHER INFORMATION (UNAUDITED)
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011 (Unaudited)		2010 (Unaudited)		Increase (Decrease)
	Gallons	Percent	Gallons	Percent	
WATER PUMPED TO SYSTEM	155,605,000	100.0	162,259,000	100.0	(6,654,000)
UNBILLED:					
Greenfield Municipal Utilities	3,988,700	2.6	5,436,500	3.4	(1,447,800)
Free Water	-	-	-	-	-
Streets (Estimated)	95,000	0.1	84,000	0.5	11,000
Fire Department and Flushes (Estimated)	617,000	0.4	413,500	0.3	203,500
Accounted for as Break Leaks (Estimated)	<u>1,933,000</u>	1.2	<u>3,214,000</u>	1.9	<u>(1,281,000)</u>
Total Unbilled	<u>6,633,700</u>	4.3	<u>9,148,000</u>	5.6	<u>(2,514,300)</u>
Available for Sale	148,971,300	95.7	153,111,000	94.4	(4,139,700)
WATER SOLD	131,996,827	84.8	135,776,185	83.7	(3,779,358)
Line Loss	<u>16,974,473</u>	10.9	<u>17,334,815</u>	10.7	<u>(360,342)</u>
METER COUNT AT JUNE 30	<u>1,059</u>		<u>1,060</u>		
WATER USAGE RATES:					
Customer Charges per Meter per Month -					
Residential	14.00		14.00		
Rural Residential	18.00		18.00		
Commercial	16.00		16.00		
Rural Commercial	20.00		20.00		
Industrial	175.00		175.00		
Water Usage (per 1,000 Gallons)	3.40		3.40		
Effective	3/1/2010		3/1/2010		

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Greenfield Municipal Utilities
Water System
Greenfield, Iowa

We have audited the financial statements of the Water System, a department of the Greenfield Municipal Utilities, a component unit of the City of Greenfield, Iowa, as of and for the year ended June 30, 2011 and have issued our report thereon dated September 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Water System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Water System's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Water System's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal

control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part 2 of the accompanying Schedule of Findings as items 11-1A, 11-1B, and 11-1C to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Water System's operations for the year ended June 30, 2011, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Water System. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Water System's responses to findings identified in our audit are described in the accompanying schedule of findings. While we expressed our conclusions on the responses, we did not audit the Water System's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the trustees, officials, employees and citizens of the City of Greenfield, and other parties to whom the Greenfield Municipal Utilities may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

By  _____
Certified Public Accountant

November 2, 2011

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011**

PART 1: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Significant Deficiencies:

- 11-1A **Cash Accounts** - We commented in the prior year that a single individual prepares checks, reconciles bank accounts and maintains the general ledger. Recording of receipts and writing and recording payroll are performed by a different employee. To the extent possible, duties should be segregated to serve as a check and balance for identifying errors, to eliminate errors in the monthly financial reports, and to maintain the best control system possible. A primary control action is the regular reconciliation of all cash accounts.

Greenfield Municipal Utilities shares one checking account, one savings account and multiple certificates of deposit to manage its cash. However, more than one self-balancing fund is used for accounting purposes and tracks how each fund shares in each of these cash types. An integral part of the bank reconciliation is verifying each fund's share in the overall cash balance. The records indicated that bank account reconciliations were not completed properly as of June 30, 2011. This deficiency was noted for the Electric System accounts, but because both the Water and Electric System use the same accounting system, we consider it important to mention it here for the Water System as well.

Recommendation - All cash accounts should be reconciled timely and regularly. Furthermore, alternating the reconciliations between two employees would increase the overall control. In addition, we recommend the governing board be provided accurate monthly cash reports which would show the total cash in each bank account and the amount of each fund's share in the overall pooled balance in checking, savings or certificates of deposit.

Response - This situation has improved from previous years and will continue to improve as more experience is acquired with the regular use of the software and a more comprehensive understanding of accounting procedures.

Conclusion - Response accepted.

- 11-1B **Accurate Financial Reports** - We noted in the prior year that various accounting and reporting processes are delayed. Specifically, the accounts payable need to be reconciled to the general ledger monthly and the debt payments need to be coded from the proper fund. During the current year, we noted that financial reports are now timely, but not yet accurate for these accruals. Lack of having correct financial information can impact management's ability to effectively maintain oversight of an organization. Critical areas such as financial analysis, budgetary control, cash flow, and compliance with various statutes can all be negatively impacted. Further, we believe that the lack of accurate management reports removes the important control function of management oversight necessary with limited segregation of duties. Although this problem did improve during the current year, it is not resolved to the extent to not continue this comment this year.

Recommendation - We strongly suggest that whatever steps necessary be taken to ensure that the board receives accurate financial information on a regular basis. Specifically, accrual accounts need to be verified and reconciled monthly. We further recommend that the reports be developed to come from the new software as well as adding procedures to prepare work documentation in order to make proper monthly accounting accruals. This may require changing some work flow procedures or additional training on the new software. Once the reporting process is up to date, every effort must be made to maintain that status.

Response - With the relatively new accounting software and the Office Manager/City Clerk having limited experience in this type of environment, she may be overburdened producing management financial reports, understanding the governmental chart of accounts and performing her duties of City Clerk. The Office Manager/City Clerk has limited experience of working in a governmental environment. Management believes this situation will continue to improve as more experience is acquired with the regular use of the software and further knowledge is gained of the governmental environment as well as training on additional monthly procedures.

Conclusion - Response accepted.

- 11-1C **Prior Year Findings** - In the prior year's Schedule of Findings, we had findings regarding timely bank account reconciliations, accurate posting and account coding, and timeliness of financial reports. These findings have been significantly improved during the current year.

Instances of Non-Compliance:

No matters noted.

PART 2: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

- 11-2A **Official Depositories** - A resolution naming depositories for combined funds of the City and Library and Greenfield Municipal Utilities has been approved by the City Council and the Board of Trustees. The maximum deposit amounts stated in the resolution were not exceeded during the year by Greenfield Municipal Utilities. The depositories named and maximum deposit amounts authorized are as follows:

First National Bank	\$ 4,000,000
Union State Bank	4,000,000

- 11-2B **Certified Budget** - Disbursements during the year ended June 30, 2011, exceeded the amount budgeted for the Water System by \$110,400.
- 11-2C **Questionable Disbursements** - We noted no expenditures that we believe would constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- 11-2D **Travel Expense** - No expenditures of Water System money for travel expenses of spouses of officials or employees were noted.
- 11-2E **Business Transactions** - Business transactions between the Greenfield Municipal Utilities Water Utility System and the Utilities' officials are immaterial and meet the guidelines of the Code of Iowa.

- 11-2F **Bond Coverage** - Surety bond coverage of officials and employees is in accordance with statutory provisions. However, we recommend the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations. See the page listing the "Officials" for individual bond coverage amounts.
- 11-2G **Minutes** - No transactions were found that we believe should have been approved in the minutes, but were not. The minutes were published within the 15 days required by Chapter 372.13(6) of the Code of Iowa. We did note, however, total receipts were not included in the published minutes.
- 11-2H **Deposits and Investments** - The Board of Trustees adopted a written investment policy statement as required by Chapter 12B.10B of the Code of Iowa and no instances of noncompliance were noted.